
**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
BOARD OF ADMINISTRATION
POLICY SUBCOMMITTEE
OF THE
INVESTMENT COMMITTEE**

MINUTES OF MEETING

April 13, 2007

A meeting of the Policy Subcommittee was held on Friday, April 13, 2007 in the Lincoln Plaza North Building, Room 1140, 400 Q Street, Sacramento, California.

The meeting was called to order at approximately 1:05 p.m. and the following members were present:

Priya Mathur, Chair
Marjorie Berte, Vice Chair
Robert Carlson

Subcommittee members excused:

Tony Oliveira
Charles Valdes

AGENDA ITEM 2 – APPROVAL OF THE FEBRUARY 2007 MEETING MINUTES

On **MOTION** by Ms. Berte, **SECONDED** and **CARRIED** to approve the February 20, 2007 meeting minutes as presented.

AGENDA ITEM 3 – ELECTION OF CHAIR AND VICE CHAIR

The Policy Subcommittee elected Priya Mathur as Chair and Marjorie Berte as Vice Chair.

AGENDA ITEM 4a – GLOBAL FIXED INCOME, Revision of Active International Fixed Income – Externally Managed Policy and Revision of Derivatives – External Money Managers Policy

Curtis Ishii, Senior Investment Officer, and Eric Busay, Portfolio Manager, presented the item. Michael Schlachter, Wilshire Associates, was available to respond to questions from the Subcommittee.

At the March 12, 2007 meeting, the Investment Committee approved moderate leveraging, shorting, and high yield exposure in the International Fixed Income Program. The revisions to the Active International Fixed Income – Externally Managed Policy include:

- Specific risk parameters define the major categories of fixed income risk and the inclusion of sector ranges
- Maximum allowable allocations are outlined for securities by type, credit rating, U.S. dollar securities, short positions and leverage

The Derivatives – External Money Managers Policy prohibits leverage. The amended policy reflects the inclusion of leverage and arbitrage as permitted derivatives strategies.

On **MOTION** by Mr. Carlson, **SECONDED** and **CARRIED** to recommend to the Investment Committee approval of the revised Statements of Investment Policy for Active International Fixed Income – Externally Managed and Derivatives – External Money Managers.

AGENDA ITEM 5a – GLOBAL EQUITY, Adoption of Corporate Governance Director Nominations Policy (Second Reading)

Dennis Johnson, Senior Portfolio Manager, presented the item for second reading. Andrew Junkin, Wilshire Associates, was available to respond to questions from the Subcommittee.

The Corporate Governance Director Nominations Policy establishes processes and identifies criteria for CalPERS' nomination of directors to corporate boards. Specifically, CalPERS staff can nominate up to two directors at individual Focus List and Monitoring List companies. Staff may also nominate directors at up to ten non-Focus List Program companies per fiscal year.

On **MOTION** by Mr. Carlson, **SECONDED** and **CARRIED** to recommend to the Investment Committee adoption of the Statement of Investment Policy for Corporate Governance Director Nominations.

AGENDA ITEM 5b – GLOBAL EQUITY, Revision of Corporate governance Investments Policy and Revision of Permissible Equity for Emerging Markets Policy

Dennis Johnson, Senior Portfolio Manager, and Aeisha Mastagni, Investment Officer, presented the item. Andrew Junkin, Wilshire Associates, was available to respond to questions from the Subcommittee.

At the February 20, 2007 meeting, the Investment Committee approved the expansion of the Corporate Governance Investment Program to include foreign emerging markets investments. Revisions to the Corporate Governance Investments Policy include:

- References to developed and emerging markets
- Additional reporting requirement includes a quarterly report to the Investment Committee listing the investments in emerging market corporate governance funds
- Requirement to obtain a favorable due diligence report and opinion letter from an external consultant, prior to investing with an external partner who invests in emerging markets

The Permissible Equity for Emerging Equity Markets Policy is not applicable to the Corporate Governance Investment Program; therefore, the policy was amended to reflect this change.

There was a discussion regarding the definitions of “developed countries,” “emerging markets,” and “undeveloped countries.” Staff was directed to review the glossary terms and report back at the next meeting.

On **MOTION** by Ms. Berte, **SECONDED** and **CARRIED** to recommend to the Investment Committee approval of the revised Statements of Investment Policy for Corporate Governance Investments and Permissible Equity for Emerging Equity Markets.

AGENDA ITEM 6a – ADMINISTRATIVE, Proposed June 2007 Agenda

The Subcommittee accepted the proposed June 15, 2007 agenda, with the addition of the review of glossary terms noted in Item 5b.

AGENDA ITEM 7 – PUBLIC COMMENT

There were no public comments.

The meeting was adjourned at 1:25 p.m.

The next meeting of the Subcommittee is scheduled for June 15, 2007 at a time to be determined in Sacramento, California.